

USDA/FNS/Food Distribution

Project No. 12 (Completed)

Project No. 12: New Jersey Chicken Project
State Partner: New Jersey
Industry Partners: Zartic

Reference: For information reported from the State of New Jersey about this pilot, click on the following Food Distribution Web Site link: www.fns.usda.gov/fdd/fd2000/rpts/NJRpt-ChixPilot.pdf. To view the feedback received from the Co-op administering the pilot, click on the following web site link: www.fns.usda.gov/fdd/fd2000/rpts/SJerseyCoop-ChixPilot.pdf.

Scope: One co-op consisting of 39 New Jersey School districts.

Background:

1. Ordering, distribution and delivery: Under the existing system, co-op schools receive their processed commodity via a distributor but separately from commercial product. Non-processed commodity is received via a state warehouse. Co-op schools have three different ordering systems: commodity, processed commodity products and commercial products. Because commodity processed product must be identified separately, they are subject to a different distribution method and incur additional charges for the separate deliveries.
2. Guaranteed minimum yield (GMY): The schools are also subject to problems associated with GMY, resulting in increased costs. The processor participating is not vertically integrated i.e. they are not their own supplier of raw chicken; USDA vendors supply the commodity chicken. Therefore the processor is subject to a wider variance in yield and delivery inconsistencies.
3. Inconsistent products served: Since commodity processed products are not available all year, there is inconsistency between commodity and commercial finished products

Pilot Concepts:

1. Seamless production, ordering, distribution and menuing: Under the pilot, the co-op will have one system for this processed chicken product
2. Standard meat block and end product yields, substitution and commercial labeling: These concepts will allow for consistent quantities of end products, total integration of product, consistent deliveries as well as consist pricing since co-op schools will be ordering a commercial product. Standard Yield and full substitution will result in no disruptions at the processor and all finished products will be identical in every way. The impact of the standard yield on a processor that is not their own supplier will greatly assist in determining whether these ideas can really be implemented nationally.
3. Alternate value-pass-thru: The pilot is using a “Modified Hybrid” value pass thru system. The processor sells the product to the distributor at the net-per-case price indicated on the approved End Product Data Schedule. The distributor pays the processor. The distributor bills the Co-op this net price plus their markup as one per case charge. The co-op pays the distributor.

Project Description:

1. The South Jersey Co-op (SJC) will determine how to spend their allocation of chicken dollars.
2. NJDA will place orders with the USDA on behalf of SJC.
3. USDA bulk chicken orders will be scheduled for delivery to Zartic.
4. SJC will order a Zartic commercial product as desired from their commercial distributor.
5. For the initial year, only one product will be involved.
6. AMS will grade all products with the specific commercial item code.
7. Zartic will substitute meat block for the USDA chicken on order.
8. Zartic will produce the finished product using a standard yield.
9. Zartic will provide SJC with commercial product, shipped to SJC distributor.

10. USDA chicken will replace meat block, and be integrated by Zartic into their regular production
11. See Value-pass-through system above.
12. Rutgers University will monitor quality of finished products.

Status: To be completed 6/30/03.

Findings: Based on preliminary data, it is estimated that the South Jersey Co-op will save about 23% on overall chicken purchases for the period 7/1/2001-6/30/2002 as compared to the previous pre-pilot year. There are 3 main reasons why such dramatic savings are expected:

- Standard Yield processing
- The use of one commercial distributor for all chicken products has resulted in reduced drayage charges
- The allocation of entitlement dollars as compared to allocating pre-ordered products

Products that utilize the whole bird, comprised of natural proportion light and dark meat are much easier to monitor and administer operationally.

The South Jersey Co-op is very pleased with all aspects of the pilot and wishes to expand to other products.

Next Steps: The State intends to expand the pilot gradually. In the meantime, the State will be assessing the impact expansion will have on their ordering, distribution and warehousing system.

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